

## **Agreed-Upon Procedures**

The purpose of these Agreed-Upon Procedures is to outline the requirements for a Motion Picture Company (“MPC”) to receive its incentive from the State of Utah. Once the approved MPC has completed its production, an independent Utah Certified Public Accountant (“CPA”) will perform a review of the MPC’s production activity. The MPC is required to provide the CPA with correct and adequate information so that the CPA can (1) verify the dollars left in the State, (2) verify incentive criteria as outlined in Table 1 of the agreement and (3) calculate the requested incentive amount.

### **Procedures for Motion Picture Company**

The Motion Picture Company must follow the instructions below in order to receive the incentive.

- 1) Review Agreed-Upon Procedures and Salesforce portal instructions
- 2) Submit a draft of the Agreed-Upon Procedures Form and required documents to an Independent Utah CPA. The CPA will follow the Agreed-Upon Procedures and return a report to the MPC.
- 3) Complete the Agreed-Upon Procedures Form through the Salesforce portal reflective of the CPA’s and company’s final figures and include the following required documents:
  - a) Accounting journal/transaction records and all detail used to substantiate the qualified dollars left in the State, remaining expenses, and State of Utah taxes paid
  - b) Cast and crew list, location list, vendor list, as found on the Utah Film Commission’s [website](#)
  - c) Certificate of Compliance
  - d) Screen capture of Utah Recognition Credit in Project’s end credits
- 4) Miscellaneous requirements to remain in good standing with the State:
  - a) Guarantee Utah Film Commission access to production’s behind the scenes footage, interviews and still photography or allow the office to produce its own
  - b) Project will provide five (5) promotional photos and the choice of a movie poster and DVD or a digital copy of the production
  - c) Both parties in writing may agree to other documents or materials

### **Procedures for CPA**

The CPA must follow the instructions below in order for the MPC to receive its incentive.

- 1) Verify MPC has provided the following:
  - a) Agreed-Upon Procedures Form
  - b) Accounting journal/transaction records and all detail used to substantiate the qualified dollars left in the State, remaining expenses, and State of Utah taxes paid
  - c) Cast and crew list, location list, vendor list
  - d) Residency documentation and source documents for dollars left in the State, remaining expenses, and State of Utah taxes paid
  - e) Certificate of Compliance
  - f) Screen capture of Utah Recognition Credit in Project’s end credits
  - g) Copy of the signed and executed State of Utah MPIP agreement and, if applicable, signed and executed amendments
- 2) The CPA will provide a report to the MPC containing the following verifications:
  - a) MPC agreement was obtained and contract number referenced. Verify that the production completing the Agreed-Upon Procedures Form is the same production stated in the agreement.
  - b) Incentive eligibility period was reviewed and verified. Confirm the eligible spend activity dates entered on the Agreed-Upon Procedures Form is the same as the recitals of the agreement.
  - c) Incentive rebate percentage per agreement.
  - d) If the MPC claimed eligibility for an additional 5% that this was reviewed and met. Verify eligibility according to the agreement along with the results.
  - e) If MPC had a cast and crew residency requirement that this was reviewed and met. Describe procedures taken to determine residency and taxes along with the results.

- f) Determine total Utah wages. Describe procedures taken and results.
- g) Determine the total dollars left in the State (total of all wages and expenses). Verify that the minimum dollars left in the State requirement listed on the Agreed-Up Upon Procedures Form is the same as those found in Table 1 of the agreement. Describe procedures taken, the sampling, adjustments, and results.
- h) Determine total remaining expenses (include taxes if applicable). Describe procedures taken, the sampling, adjustments, and results.
- i) Total amount of new State revenue (total taxes and Utah withholdings).
- j) Calculate the amount of the incentive based on verified dollars left in the State.
- 3) Determine if the MPC is eligible for an additional 5% incentive.
  - a) To qualify:
    - i) Must have spent \$1 million **and**
    - ii) hired 75% Utah residents for cast and crew **or** 75% of production days occurred in rural Utah
  - b) If the MPC is eligible for an additional 5% incentive for having 75% of cast and crew from Utah, determine whether 75% of the cast and crew, excluding extras and five principle cast members are Utah residents.
  - c) If the MPC is eligible for an additional 5% incentive for having 75% of the production's Utah principal production days in a rural area, determine whether 75% of production days occurred in rural Utah.
- 4) For CFIP projects, the MPC is required to have at least 85% of the cast and crew as Utah residents excluding extras, determine whether 85% cast and crew requirement is met.

#### **CPA Procedure to Verify Total Payroll**

Procedures for qualifying payroll dollars left in the State should be performed for all payroll costs.

- 1) Obtain the payroll schedule for those working on the project. The payroll schedule will be provided by the MPC. Each line item should include the name of individual, amount paid, date of payment, and whether the individual is a Utah resident.
- 2) Obtain a representation from the MPC that the payroll list excludes profit participation amounts paid to any recipient participating in the profits from the project.
- 3) For all payments, determine whether the payments or accruals were made between the dates of eligibility. Only payments or accruals that fall within this period qualify as dollars left in the State.
- 4) For each payment, determine whether the payment is to: (a) a Utah resident, (b) a non-resident, or (c) a payroll company or loan-out company.

#### **CPA Procedure for Utah Resident Income Tax**

- 1) Verify that only Utah residents are receiving the Utah resident rate of dollars left in the State.
  - a) **Determining residency:** For the purposes of this agreement, Utah residency can be confirmed in one of the following ways:
    - i) A copy of a Utah driver's license
    - ii) A copy of government issued identification (from any state or foreign government or student ID/Report card)
    - iii) Documentation showing residency covering at least 183 days, matching the name, or parent or guardian, on the submitted government ID; and maintains a permanent home in Utah
    - iv) Signed declaration or consent form of Utah residency
    - v) W-4
    - vi) I-9
  - b) **Utah resident rate:** For a Utah resident, all payments subject to Utah tax count as dollars left in the State. For example:

- i) If a Utah resident is paid \$10,000 and all \$10,000 is subject to individual income tax, the amount of dollars left in the State is \$10,000.
- 2) Verify that the “Total Utah Wages” listed on the Agreed-Upon Procedures Form for “Cast and Crew Details” accurately reflects the findings.

#### **CPA Procedure for Non-Utah Resident Income Tax**

- 1) Verify that dollars left in the State for non-residents only amounts to their tax liability.
  - a) For non-residents only the amount of income tax paid to the State, count as dollars left in the State.  
For example:
    - i) If a non-resident is paid \$10,000, and \$1,500 was withheld for Utah withholding tax, the amount of dollars left in the State is \$1,500.

#### **CPA Procedure for Payroll or Loan-Out Companies**

- 1) Ensure that the payroll/loan-out company is registered to do business in Utah.
- 2) Obtain supporting documentation from the MPC that the Utah withholding rules have been followed by the loan out companies.
- 3) Verify that only the withholding amounts from the MPC are counted as dollars left in the State. For payroll or loan-out companies that are registered to do business in Utah, the amount of withholding under Utah Code Section 59-10-402 counts as dollars left in the State. For example:
  - a) If the MPC pays \$50,000 to a payroll company registered to do business in Utah, and \$10,000 is withheld, the amount of dollars left in the State is \$10,000.

#### **CPA Procedure for In-State per Diems**

Verify the accuracy of “Total per Diems” on the Agreed-Upon Procedures Form. The full amount of per diems paid to residents and non-residents is eligible as dollars left in the State. If per diem is taxed, categorize as Utah expenses. If per diem is not taxed, categorize as wages. The amount of a per diem is limited by an acceptable limit of up to 100% of the current federal rate for the area in which the per diem was paid.

#### **CPA Procedure for Total Dollars Left in the State (and other remaining expenses: Sales and Use Taxes, Direct Reimbursements and miscellaneous expenses)**

The following procedures should be performed on (1) all individual expenses exceeding 5% of the total dollars left in the State (this is the substantive amount), and (2) expenses taken from a random statistical sample (this is the sampled amount). For purposes of establishing the sample size, it should be large enough to attain at least 95% confidence that there is no more than a 5% misstatement on the Agreed-Upon Procedures Form.

- 1) Through inspection of receipts or other suitable documentation that is independent of the MPC, determine whether (1) the submitted items meet the definition of dollars left in the State, and (2) if the submitted items were paid or accrued between the dates of eligibility. Only purchases that are contracted or procured within this period qualify as dollars left in the State. Refer to Article 3.1 (c).
- 2) If submitted documentation does not meet the definition of dollars left in the State, the MPC must provide the CPA with additional documentation to satisfy this criterion. Otherwise, the amount must be disqualified.
- 3) Confirm that the dollars left in the State claim for capital expenditure and rent for partial use only include the depreciated amount.
  - a) Marketing and distribution costs are not eligible as dollars left in the State.
- 4) Confirm that the taxes reported by the company are within reason.
- 5) Confirm remaining expenses (sales and use taxes, direct reimbursements, miscellaneous expenses)

#### **MPC Receives CPA Report:**

If the CPA finds a difference in the amount of dollars left in the State, the MPC has two choices:

- 1) The MPC can accept the CPA's verified amount of dollars left in the State
- 2) The MPC may elect to re-submit a corrected calculation of its dollars left in the State

**CPA and MPC are in Agreement of CPA Results:**

The MPC will submit final results in the Agreed-Upon Procedures Form along with the required attachments. A basic review will be performed, checking for completeness and obvious errors. The GOED Compliance Team will review the submission and contact the CPA to confirm the contents of its letter and report. If the documents submitted for cast and crew, vendor, and/or location list are incomplete or contain obvious errors, the documents will be returned to the MPC for completion or correction. If the GOED Compliance determines the Agreed-Upon Procedures are complete and free of obvious errors, GOED will issue the incentive to the MPC.

**MPC Elects to Re-Submit CPA Report:**

If the MPC elects to re-submit a corrected calculation of its dollars left in the State, then the above procedures should be completed again on the revised accounting records. The revised accounting records should have a higher level of testing with specific emphasis on the parts of the records that were revised. In the event the MPC elects to re-submit, the MPC must immediately notify the Utah Film Commission ("UFC"). When notifying the UFC of a resubmission the MPC must inform the UFC of the new anticipated completion date for the second CPA review.

**GOED Right to Review:**

The CPA must retain work papers related to performing these Agreed-Upon Procedures for at least two (2) years. GOED, at its own discretion, shall have the right to review the CPA's work to ensure consistency among the various CPAs, to find areas for improvement to the Agreed-Upon Procedures, and as an internal control to help ensure the accuracy and reliability of the CPA report.

At GOED's discretion, Compliance will select a sample of completed motion picture incentives for an in-depth review. This review will be to assess the accuracy of the CPA report. Minor errors will be reported to the CPA for informational purposes. Egregious errors will be reported to the CPA and may result in prohibiting the CPA from performing these Agreed-Upon Procedures in the future.